

THE WOODLANDS TOWNSHIP

Board of Directors Meeting

PLANNING RETREAT

February 21, 2013

MINUTES

THE STATE OF TEXAS §

COUNTIES OF HARRIS & MONTGOMERY §

The Board of Directors of The Woodlands Township met in special session, open to the public, on February 21, 2013, posted to begin at 12:00 p.m. The meeting was held in a meeting room at The Woodlands Waterway Marriott Hotel and Convention Center, 1601 Lake Robbins Drive, The Woodlands, Texas, within the boundaries of The Woodlands Township.

Chairman:
Bruce Tough

President/General Manager:
Don Norrell

Vice Chairman:
Peggy Hausman

Staff/Advisors:
Alan Benson
Kim Cogburn
Karen Dempsey
Taunya Jacques
Miles McKinney
John Powers
Daniel Ringold
Monique Sharp
Bret Strong
Susan Welbes
Renee Williford
Nick Wolda

Secretary:
Ed Robb

Treasurer:
Gordy Bunch

Directors:
Mike Bass
Nelda Luce Blair
Jeff Long

1. Pledge of Allegiance;

The Board dismissed with the recital of the Pledge of Allegiance.

2. Call meeting to order;

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Chairman Tough called the meeting to order at 12:59 p.m. and declared that notice of this meeting was posted 72 hours in advance at the Courthouse of Montgomery County and Harris County and inside the boundaries of The Woodlands Township at the office building located at 2801 Technology Forest Boulevard, The Woodlands, Texas.

As there was a quorum of members present, the Board proceeded to conduct business regarding the following matters.

3. Receive, consider and act upon adoption of the meeting agenda;

Motion by: Treasurer Bunch moved to adopt the agenda as presented.

Second by: Director Blair

Motion passed unanimously (7-0).

Directors	YES	NO	ABSTAIN
Tough, Bruce (Chairman)	x		
Hausman, Peggy (Vice Chairman)	x		
Robb, Ed (Secretary)	x		
Bunch, Gordy (Treasurer)	x		
Bass, Mike (Director)	x		
Blair, Nelda Luce (Director)	x		
Long, Jeff (Director)	x		

4. Recognize public officials;

No public officials were recognized.

5. Public comment;

There was no public comment.

6. Receive and consider information regarding The Woodlands Township's operating, capital and economic development reserve funds;

Chairman Tough provided the Board with a brief overview of the two discussion items and then called on Monique Sharp, Assistant General Manager of Finance & Administration for The Woodlands Township, to review the Township's reserves and reserve policies.

Ms. Sharp used a PowerPoint presentation and provided the Board with a brief overview of the Township's specific reserves and the policies related to each. The following reserves were discussed:

- Operating Reserve
- Capital Reserve

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- Economic Development Reserve
- Cultural Events/Education Reserve
- Self-Funded Health Insurance Reserve
- Debt Service Reserve

Ms. Sharp commented on the level of operating reserves recommended by rating agencies and levels maintained by other communities. Proposed changes in reserve categories and terminology were also discussed.

Following Ms. Sharp's presentation, the Board received a draft report on a Capital Reserve Study performed by Criterium Engineers. Next, Ms. Sharp introduced the following team members from Criterium: Peter Hollander, Jesse Nash and David Yancy.

Mr. Hollander used a PowerPoint presentation during his review of key elements contained in the draft report which included the methodology used, scope, discussion of major elements, and reserve tables and funding options. During the presentation, Mr. Hollander commented that Criterium recommended a separate study for the pathways which are one of the Township's major assets. Board discussion followed the presentation.

Next, Drew Masterson, with First Southwest Company, was called on to discuss the reserve levels desired by rating agencies. Mr. Masterson began his presentation by commenting that the Township currently maintains twenty per cent of total reserves in its operating fund balance. Mr. Masterson then remarked that it would be appropriate for the Board to relook at this policy due to a number of changes that have occurred over the last several years which might lead to a rewrite of the current policy. Mr. Masterson then referred the Board to handout material and reviewed some accounting terminology that changed in 2011. The Board was informed that rating agencies look at revenue mix, with property tax base considered the most stable revenue source, followed by sales tax, hotel tax, fees, and water/sewer revenue. Board discussion followed.

Chairman Tough indicated that staff will take the Capital Reserve Study with the allocated budget and do some reconciliation. After this, staff will come back to the Board with a recommendation for Capital Reserve classification with categories and amounts. The information points that Mr. Masterson shared with the Board were to maintain the Capital Reserve and Fund balances and their impact on future bond ratings.

Director Bass requested information on the Economic Reserve and Cultural Events Reserve. It was the decision of the Board to defer a presentation on these items but to have discussion on the matter. The main questions asked were: 1.) Should there be an Economic Reserve? and 2.) What will the Economic Reserve be used for? Feedback from the Directors indicated that they would like to have a special meeting to discuss only this topic prior to the May Board Planning Retreat. The Board decided to hold a special meeting on March 21, 2013 following the regular Board meeting to specifically discuss an Economic Development Reserve and Cultural Events Reserve.

7. Receive and consider insurance information regarding The Woodlands Township's property and liability insurance program and policies;

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Monique Sharp was called on to present this item. Ms. Sharp began her PowerPoint presentation with a review of the Township's property and liability insurance. Ms. Sharp's presentation was focused on the following items:

- Transitioning to a Self-Insurance Risk Management Program
- Insurance broker services
- Revisions to the current insurance program

Following Ms. Sharp's comments, Rick Smith, Commercial Lines Manager with The Woodlands Financial Group, presented information on specific coverage issues including coverage for standing timber, loss of tax revenue in the event of a serious hurricane or tornado, and adequate coverage for catastrophe loss in the event of a large hurricane. Mr. Smith informed the Board that he was able to find an organization, Alliant Specialty Insurance Services, that is the largest property insurance program in the world and is tailored for public entities. No coverage could be found for standing timber. Mr. Smith then reviewed some of the coverage limits provided by Alliant. Board discussion followed.

Next, Mark Conner from the Willis Group, the Township's current insurance broker, provided an analysis regarding the Township's insurance programs. Mr. Conner commented on the following matters:

- Alliant Insurance being a "Pool Program" vs. the Township's current stand alone type program;
- Alliant Insurance's ability to offer coverages that the Township does not currently have (ex. loss of tax revenue);
- Property coverage due to an economic downturn rather than property coverage with physical loss;
- 15.1 per cent decrease in property premiums only-Willis Group;
- Higher retentions (deductibles)

Board discussion followed with comments from several Board members indicating their desire to have staff go out for proposals to brokers based on more comprehensive coverage with higher retentions. Treasurer Bunch stated that he would prefer to define the insurance that the Township is looking for so that it can be "shopped" by brokers and allow the Township more options to review. Treasurer Bunch also suggested that the Board look at a Risk Management Doctrine for the community. Director Bass suggested that Treasurer Bunch, Don Norrell and Daniel Ringold, legal counsel for The Woodlands Township, meet to discuss recommendations regarding this matter that will then be presented to the Board for review and consideration.

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8. Receive and consider agenda topics for the next Board Planning Retreat; and

- Budget Planning Session-- May Board Planning Retreat

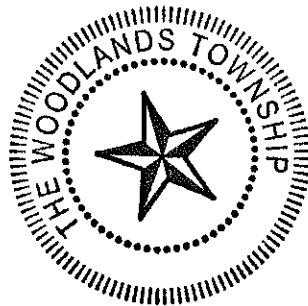
9. Adjournment

Motion by: Secretary Robb moved to adjourn the meeting at 4:15 p.m.

Second by: Vice Chairman Hausman

Motion passed unanimously (7-0).

Directors	YES	NO	ABSTAIN
Tough, Bruce (Chairman)	x		
Hausman, Peggy (Vice Chairman)	x		
Robb, Ed (Secretary)	x		
Bunch, Gordy (Treasurer)	x		
Bass, Mike (Directors)	x		
Blair, Nelda Luce (Directors)	x		
Long, Jeff (Directors)	x		



Ed Robb
Secretary, Board of Directors